

**DOYLESTOWN TELEPHONE COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED REVIEWED  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY  
DECEMBER 31, 2012 AND 2011**

Reviewed Consolidated Financial Statements

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Stockholders  
The Doylestown Telephone Company  
Doylestown, Ohio

We have reviewed the accompanying consolidated balance sheets of Doylestown Telephone Company (a corporation) and Subsidiary as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Pry Professional Group*

Findlay, Ohio  
June 28, 2013

**THE DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 417,752	\$ 412,139
Telecommunications Accounts Receivable (Net of \$205,800 in 2012, and \$158,750 in 2011 for Doubtful Accounts)	266,010	409,996
Other Accounts Receivable (Net of \$95,886 in 2012, and \$74,142 in 2011 for Doubtful Accounts)	323,783	446,866
Materials and Supplies	103,825	115,196
Prepaid Expenses	87,913	64,704
Deferred Income Tax	<u>121,047</u>	<u>98,127</u>
<b>Total Current Assets</b>	<b>1,320,330</b>	<b>1,547,028</b>
<b>Property, Plant and Equipment</b>		
Land	144,062	144,062
Plant Under Construction	48,644	381,239
Plant and Equipment	<u>17,797,191</u>	<u>17,026,804</u>
<b>Total Property, Plant and Equipment</b>	<b>17,989,897</b>	<b>17,552,105</b>
Less: Accumulated Depreciation	<u>(14,523,086)</u>	<u>(13,969,439)</u>
<b>Net Property, Plant and Equipment</b>	<b>3,466,811</b>	<b>3,582,666</b>
<b>Other Assets</b>		
Cellular Partnership Investment, at Cost	1,290,082	1,290,082
Com Net Investment, at Cost	18,500	18,500
Available-for-Sale Securities, at Market	1,612,290	1,576,486
Bonds Held to Maturity	40,498	69,672
Deferred Income Tax	1,055,617	925,731
Deposits	<u>3,790</u>	<u>3,790</u>
<b>Total Other Assets</b>	<u><b>4,020,777</b></u>	<u><b>3,884,261</b></u>
<b>Total Assets</b>	<u><b>\$ 8,807,918</b></u>	<u><b>\$ 9,013,955</b></u>

See Accompanying Notes and Independent Accountant's Review Report

**THE DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 201,377	\$ 128,080
Accrued State and Local Tax	2,933	3,478
Accounts Payable - Withheld and Collected Taxes	132,338	120,110
Customer Deposits	850	900
NECA Accrual	34,486	34,603
Accrued Property Tax	8,957	8,915
Accrued Other Taxes	<u>12,172</u>	<u>13,370</u>
Total Current Liabilities	393,113	309,456
<b>Other Liabilities</b>		
Long-Term NECA Accrual	<u>19,848</u>	<u>21,113</u>
Total Other Liabilities	<u>19,848</u>	<u>21,113</u>
Total Liabilities	412,961	330,569
<b>Stockholders' Equity</b>		
Common Stock (500 shares authorized, 353 shares issued and 352 shares outstanding, \$10 par)	3,530	3,530
Retained Earnings	8,548,888	8,808,143
Treasury Stock	(14,003)	(14,003)
Unrealized Loss on Available-for-Sale Securities	<u>(143,458)</u>	<u>(114,284)</u>
Total Stockholders' Equity	<u>8,394,957</u>	<u>8,683,386</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 8,807,918</u></u>	<u><u>\$ 9,013,955</u></u>

See Accompanying Notes and Independent Accountant's Review Report

**THE DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Local Telephone Service Revenues	\$ 1,776,343	\$ 1,726,413
Telephone Access Revenues	1,470,266	1,639,943
Long Distance Message Revenues		5,958
Billing and Collection Revenues	(8,355)	(13,706)
Basic, Premium, Pay-Per-View TV Channels	839,427	778,339
Internet Revenues	687,448	897,455
Cable Modem Revenues	490,562	454,872
Security Service Revenues	107,015	146,721
Advertising and Consulting Revenues	113,797	137,525
Miscellaneous Revenues	413,745	430,850
Uncollectible Revenues	<u>(155,140)</u>	<u>(85,808)</u>
Total Operating Revenues	5,735,108	6,118,562
<b>Operating Expenses</b>		
Plant Specific Operations Expenses	2,771,031	2,776,759
Plant Nonspecific Operations Expenses	219,974	240,268
Depreciation Expense	561,880	593,408
Amortization Expense	341	341
Customer Operations Expenses	1,216,564	1,343,702
Corporate Operations Expenses	<u>1,442,485</u>	<u>1,371,664</u>
Total Operating Expenses	<u>6,212,275</u>	<u>6,326,142</u>
Loss Before Operating Taxes	(477,167)	(207,580)
<b>Operating Taxes (Benefit)</b>		
Provision for Deferred Income Taxes	(210,250)	(143,264)
State and Local Tax Expense	14,434	13,069
Other Operating Taxes	<u>18,254</u>	<u>13,643</u>
Total Operating Taxes (Benefit)	<u>(177,562)</u>	<u>(116,552)</u>
Net Operating Loss	\$ (299,605)	\$ (91,028)

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**THE DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Nonoperating Income and (Expenses)</b>		
Net Realized and Unrealized Gain from		
Sales of Investments	\$ 68,998	\$ 6,268
Gain (Loss) on Disposition of Plant	6	
Dividend and Interest Income	36,209	50,029
Special Charges	(1,950)	(2,625)
Interest Expense	(20)	(39)
Other Nonoperating Income - Net Rental Income	3,597	7,283
Nonoperating Deferred Income Tax Benefit (Expense)	<u>(57,444)</u>	<u>126,058</u>
Total Nonoperating Income	<u>49,396</u>	<u>186,974</u>
Net Income (Loss)	<u>(250,209)</u>	<u>95,946</u>
<b>Other Comprehensive Loss, Net of Tax</b>		
Unrealized Loss on Securities	<u>(29,174)</u>	<u>(1,472)</u>
Net Loss Recognized in Other Comprehensive Income	<u>(29,174)</u>	<u>(1,472)</u>
Comprehensive Income (Loss)	<u><u>\$ (279,383)</u></u>	<u><u>\$ 94,474</u></u>

See Accompanying Notes and Independent Accountant's Review Report

**THE DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>Cash Flows From Investing Activities</b>		
Purchase of Property, Plant and Equipment	\$ (446,426)	\$ (567,506)
Salvage Value of Plant	67	
Purchase of Securities	(355,351)	(356,776)
Sale of Securities	421,635	358,240
	<u>(380,075)</u>	<u>(566,042)</u>
<b>Net Cash Used In Investing Activities</b>	<b>(380,075)</b>	<b>(566,042)</b>
<b>Cash Flows From Financing Activities</b>		
Payment of Dividends	(9,046)	(8,906)
	<u>(9,046)</u>	<u>(8,906)</u>
<b>Net Cash Used In Financing Activities</b>	<b>(9,046)</b>	<b>(8,906)</b>
<b>Net Increase (Decrease) In Cash</b>	<b>5,613</b>	<b>(359,162)</b>
<b>Cash At Beginning of Year</b>	<b>412,139</b>	<b>771,301</b>
<b>Cash At End of Year</b>	<b>\$ 417,752</b>	<b>\$ 412,139</b>

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